

CARIBBEAN EXAMINATIONS COUNCIL

**REPORT ON CANDIDATES' WORK IN THE
SECONDARY EDUCATION CERTIFICATE EXAMINATION**

JANUARY 2010

**PRINCIPLES OF BUSINESS
GENERAL PROFICIENCY EXAMINATION**

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GENERAL COMMENTS

The January 2010 examination in Principles of Business was based on the revised syllabus which came on stream in September 2006. The examination consisted of the following papers:

Paper 01	Multiple Choice
Paper 02	Essay
Paper 03/2	Alternative to School Based Assessment (SBA)

This year the candidate entry was 6013 compared with 2219 in 2009. This represented an increase of 162 per cent.

DETAILED COMMENTS

Paper 01 – Multiple Choice

Paper 01 consisted of 60 multiple choice items, 20 on each of the three profiles of the syllabus. The performance of the candidates on Paper 01 was satisfactory. The mean mark was 32.08 out of 60, which was slightly below the 33.91 realized in 2009.

Paper 02 – Essay

Paper 02 consisted of three compulsory questions (two from profile one and one from profile two) and four optional questions (two from profile two and two from profile three) from which candidates were required to answer two. The mean mark of 40.35 out of 100, represented a considerable reduction from the 51.85 realized in 2009.

Paper 03/2 – Alternative to SBA

Paper 03/2, the alternative to the SBA, is an examination offered to private candidates. The performance of candidates on this paper was unsatisfactory. However, the mean mark of 13.76 out of 40 was an improvement on the 12.38 realized in 2009. Quite clearly the mean scores on the papers were generally affected by the considerable increase in the candidate entry.

Section I – Compulsory

Question 1

This question was taken from Section 1 of the syllabus and was structured in three parts: Part (a) assessed whether the candidates understood the term ‘barter’ and the problems associated with bartering. It also asked candidates to explain how the use of money could overcome these problems. Part (b) required that candidates compare the private and the public sector in terms of: ownership and control; objective or motive and source of capital. Part (c) asked that students outline ways in which a free market economy differed from a planned or a command economy.

This question was attempted by approximately 100 per cent of the candidates, and approximately 70 per cent of them scored above 9 marks out of a possible 20 marks.

In Part (a) (i), the majority of the candidates were able to define the term ‘barter’ as well as identify problems associated with it. However, the weaker candidates had difficulty explaining how the use of money could overcome the problems associated with barter.

The performance of candidates in Part (b) was poor as the majority equated the private sector with private limited companies and the public sector with public limited companies. In some instances, candidates chose to define the term 'objective' instead of giving an objective of both the private and the public sectors.

The stronger candidates were able to answer Part (c) of the question correctly. However, the weaker candidates made the same error of comparing private and public companies instead of free market and planned economies. Approximately 30 per cent of the candidates failed to identify two differences between planned and command economies, and simply stated unrelated characteristics of these economies.

Recommendations

Teachers are encouraged to

- assist students in defining concepts by highlighting their distinguishing feature
- use a number of examples to show students the differences between the 'public sector' and the 'private sector' and how these differ from private and public companies
- assist students to demonstrate that they understand concepts by giving correct examples of these.

Question 2

This question was designed from Section 1 of the syllabus. Candidates were tested on the importance of both the marketing and finance departments to the business, the reasons why an individual would want to go into business, what is involved in short and long-term planning and also the advantages of a private limited company. Only 40 per cent were able to secure satisfactory marks for their responses.

Part (a) of the question was fairly well done. The weaker candidates were unable to differentiate between 'market' and 'marketing'. The functions of the finance department were generally well understood.

Part (b) was answered accurately by the majority of candidates in that they were able to score full marks. However, a minority interpreted the question as a Social Studies question incorporating Maslow's hierarchy of needs as their response.

Part (c) was generally not well done. The majority of candidates were not clear about the period of time involved in the two types of planning. Hence their response tended to trivialize the question and so their interpretation was personal in nature involving their day-to-day lives with respect to planning.

Part (d) was also poorly done by the majority of candidates. A minority was able to give one correct advantage. The candidates interpreted advantage of the private limited company as characteristics and so their responses reflected this confusion.

Recommendations

Teachers are encouraged to use more case studies to teach concepts so that students can get real examples to which they can apply real solutions. Role play would also be a good way to get students to learn important concepts by simulating real business situations.

Question 3

This question was designed from Section 5 of the syllabus and sought to identify (a) factors necessary for locating a business; (b) advantages of operating a small business; (c) disadvantages of business expansion; (d) forms of technology that are essential to a business; and (e) the benefits of technology.

Candidates performed very well since approximately 60 per cent of them were able to score between 12 and 20 marks. Parts (a), (d) and (e) were generally well known since candidates were able to score the most marks in these three sections.

Parts (b) and (c) presented some difficulty to candidates since many of them believed that the sole trader and small business entrepreneur are one and the same.

Recommendations

Teachers must make a clear distinction between a sole trader and the small firm, since a small firm could also be a company. Therefore they should use many examples existing in their country to make the point so students can clearly distinguish these concepts.

Question 4

This question was taken from Section 7 of the syllabus and required candidates to identify (a) sources of income for individuals as well as businesses, (b) services provided by commercial banks. Part (c) also required candidates to outline the characteristics of credit unions while in Part (d) they were required to define the term 'budgeting' as well as state the purposes of budgeting.

The majority of candidates performed below average as the majority of them scored approximately 9 out of a possible 20 marks. Parts (a), (b) and (d) were fairly well done, in particular Part (b). The majority of candidates were able to identify the sources of income for individuals and businesses; describe services offered by commercial banks as well as define 'budgeting', and state the purposes of budgeting. However, the majority were not able to outline the characteristics of credit unions.

Recommendations

Teachers are encouraged to place the same emphasis on teaching students about other financial institutions such as credit unions as they do on teaching about commercial banks and the central bank.

Question 5

This question came from Section 5 of the syllabus. Candidates were required to:

- (a) Define the terms 'human resources' and 'productivity'.
- (b) Describe the following levels of production: subsistence, domestic and surplus as they relate to levels of production.
- (c) State ways in which efficiency of labour can be improved.
- (d) Discuss factors that impact negatively on the productivity of workers.

The general performance on this question was fair.

In Part (a), the majority of the candidates misinterpreted the term 'human resources' and defined it as the 'human resources department' and 'productivity' as 'production'.

In Part (b), the majority of the candidates were able to distinguish between the different levels of production. However, the weaker candidates stated the types of production (primary, secondary and tertiary) rather than the levels of production.

Part (c) of the question was fairly well done as the majority of candidates were able to state ways in which the efficiency of labour can be improved.

The majority of the candidates failed to discuss factors which impact negatively on the productivity of workers. Candidates gave brief responses to this question and avoided discussing genuine factors that could cause workers not to perform efficiently.

Recommendations

Teachers are encouraged to use more case studies to teach concepts so that students can get real examples to which they can apply real solutions. Role play could also be used to get students to cement important concepts by simulating real business situations.

Question 6

This question was taken from Section 9 of the syllabus. It consisted of three parts and candidates were asked to:

- (a) Define the term ‘standard of living’ and identify indicators of standard of living.
- (b) Distinguish between ‘economic growth’ and ‘economic development’.
- (c) Define the term ‘balance of payments’ and measures that a country may adopt to address its balance of payments problem.

This was a popular question as approximately 75 per cent of the candidates who sat the examination attempted it. Twelve per cent of the group scored between 9 and 15 out of a possible 20 marks; the other 88 per cent scored between 0 and 8 marks.

In Part (a), most candidates wrongly defined the term ‘standard of living’ as the way people live as opposed to the quality and quantity of goods and services. However, most candidates were able to accurately identify the two (2) indicators of standard of living.

Part (b) of the question presented the highest level of difficulty for candidates, and responses showed a lack of analytical skills. Approximately 30 per cent of the candidates were able to accurately differentiate economic growth as quantitative increases as opposed to economic development as qualitative. About 40 per cent of the candidates confused economic growth with population growth, for example, a typical response was ‘growth in the number of babies’. The weaker candidates also wrongly spoke of social growth and included points such as a decreasing crime rate and migration. The majority of candidates gave one instead of two examples to show the differences between economic growth and economic development.

In Part (c), the majority of the candidates who attempted this question confused the term “payments” with balancing creditors in the private sector and individual retailers. Most candidates did not comprehensively discuss the two measures that a country may adopt to address its balance of payments problem. Rather some of them misinterpreted it to mean the payment plan or balance parcel of individuals as opposed to the balance of payments of a country. Those who responded scored at least 2 marks out of the 6 marks awarded.

Recommendations

Teachers should ensure that:

- Students be assisted in understanding the meaning of instructional words such as ‘define’, ‘identify’, ‘distinguish’ and ‘discuss’.
- Students become more familiar with the various concepts and terms used in the principles of business subject, such as ‘standard of living’ as it relates to economic growth and development, and ‘balance of payments’.
- More emphasis be placed on the economic component of the syllabus.

Question 7

This optional question came from Section 10 of the syllabus and required candidates to:

- (a) Define the term ‘foreign direct investment’ (FDI).
- (b) Outline factors that discourage foreign investment from coming to the Caribbean.
- (c) State the ways FDI may be attracted to the Caribbean.
- (d) Discuss ways in which Caribbean countries benefit from foreign investments.

This question was not popular as less than 20 per cent of the candidates attempted it. It was poorly done and from the responses of the majority of the candidates, it seemed as if they did not complete this section of the syllabus in the classroom.

Part (a) of the question was very poorly done as a minority was able to define ‘foreign direct investment’. An acceptable response demonstrated knowledge of overseas firms setting up businesses in another country.

In Part (b), the stronger candidates were able to satisfactorily outline factors that discouraged foreign investment from coming to the Caribbean. Acceptable responses should have included the following points:

- Government policies on the repatriation of profits
- The tax structure
- Prevalence of crime and violence
- Organized labour movements
- Poor infrastructure (transportation, communication, public utilities)
- Excessive government restrictions (regulation of the private sector)
- Attitude of workers

Part (c) also posed a great deal of difficulty for candidates as they advanced no real reasons why investors would be attracted to the Caribbean. Acceptable responses should have included the following points:

- Tax holidays/tax incentives
- Low cost energy
- Political and environmental stability
- Provision of infrastructure by government/industrial estates
- Reduction of crime and violence which could lead to stability in the economy

Even though candidates lacked detailed knowledge of FDI, they were able to offer some acceptable responses and earned marks in Part (d). Possible responses included were:

- Employment opportunities
- Utilization of raw materials, creating linkages and expansion of local production
- Profits/royalties entering local banking system and filtering down into the economy
- Development of local resources through training and transfer of technology, thus building human capital

Recommendations

While this topic is located in the last section of the syllabus, teachers must make a deliberate effort to teach them earlier in the year. During the planning process, teachers should try to incorporate some of these topics earlier so that students can see their relevance. These topics can also be reinforced later down when they naturally come to them.

Paper 03/2 – Alternative to SBA

Candidates were expected to complete the template, based on the stimulus material given in the various sections of the question paper. This paper was attempted by approximately 99 per cent of the candidates.

Profile 1 – Operational Plan

Nature and Type of Business

The majority of the candidates failed to identify both the nature and type of business. Approximately 85 per cent identified the nature of the business, that is, what the business was engaged in, but only a small minority was able to identify the type of business itself. Incorrect responses ranged from public limited company to sole trader.

Internal Structure or Organization

The majority of candidates was able to outline the structure of the organization. The stronger candidates were able to draw an organizational chart while the weaker ones listed the fixed assets of the business. In some cases, the candidates copied information verbatim from the case.

Management Functions

The majority of candidates failed to get the optimal 2 marks for this part of the case. The weaker candidates failed to describe these functions but opted to quote the role of the managing director directly from the stimulus material in the case.

Ethical Issues

The majority of the candidates demonstrated a lack of knowledge of ethical issues and therefore was not able to identify the ethical issues surrounding the case.

Profile 2 – Marketing Plan

Market Research

The majority of candidates was unable to score full marks, neglecting to mention market research tools or discuss how data was collected.

Industry Trend

The majority of candidates failed to identify industry trends. The stronger candidates quoted the projection 'enrolment will grow by 100 students each year for the next 10 years'. A less common but accurate response was 'one-on-one tuition'.

Size of Market

The majority of candidates had an idea of the market size.

Target Market

The majority of candidates scored full marks in this section of the case.

Pricing Strategies

The majority of candidates was unable to gain full marks. However, an array of pricing strategies was presented by candidates who scored in this area.

Promotion Strategies

This section was well done.

Distribution Strategies

This section was unsatisfactorily done. Most of the candidates seemed to have misunderstood what was required in this section.

Executive Summary

This section of the case created the greatest challenge for the candidates as the majority of them lacked knowledge of how to write an executive summary.

Profile 3 – Financial Plan

This section of the paper was not very well done as the majority of the candidates were unsure of what was required under the various headings. The main areas that candidates found problematic were *ethical issues* and the *executive summary*. The weaker candidates gave definitions of these areas instead of explaining the case in terms of these issues.

A minority of the candidates wrote about a school-based assessment they had previously done and therefore did not use the case study in their responses. Generally candidates did not demonstrate a clear understanding of the concepts in this profile of the case.

Recommendations

Teachers need to teach students what is involved in a business plan and to give students adequate practice to sufficiently prepare them for this paper.